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ABSTRACT

Forty colleges and life insurance presidents met to discuss key historical and contemporary factors influencing fiscal management in higher education, including inflation, salaries, diminishing enrollment figures, energy costs, federal regulations and the increasing cost of research. Differences and similarities between business and academia were outlined, and a program of mutual cooperation between both sectors was advocated. It was suggested that academic administrators and faculty representatives should: define a specific mission; demonstrate fiscal and educational leadership through efforts to attain financial stability; study other industries that have experienced declines; develop strategies to counter demographic enrollment trends; exercise leadership on the secondary and elementary school levels; reorient course offerings to different age and field markets; encourage modification of existing federal tax laws; establish self-regulating agencies within higher education; consider institutional mergers and consortia; and improve public and business communications. Business organizations can help academic institutions by improving corporate tuition programs for employees, increasing matching gift programs by two or three times what alumni associations donate and inaugurating in-house enrichment programs for employees. An advocacy alliance of people in business and academia was proposed in an effort to influence public educational policies with private corporate clout. Additional material includes a list of unanswered fiscal questions, a conference program and a list of conference participants. (DC)

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Fiscal Issues in Higher Education

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PRINCETON CONFERENCE ·1978·

American Council of Life Insurance

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FISCAL ISSUES IN HIGHER EDUCATION

Edited by: Carol Rigolot, Princeton University

Report of a conference of academic leaders and executive officers of life insurance companies at Princeton University, October 26-27, 1978, sponsored by the University Advisory Council of the American Council of Life Insurance

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INTRODUCTION

Higher education finds itself poised between an extraordinary past and a precarious future. During two decades, American society, inspired by the conviction that all citizens have the right to as much education as they can use, made an unprecedented national investment in learning, transforming higher education into a $45-billion industry, with 3000 colleges and universities, 11 million students and 650,000 professors. Between 1960 and 1970 alone, college faculties doubled and expenditures quadrupled. At the same time, many believed that, with sufficient funding, universities could solve most of society's problems. While few believe this any more, universities have nevertheless coped with many problems and, above all, produced the most widely educated citizenry in American history.

That period of enthusiasm and expansion has ended. Inflation, declining enrollments, heavy operating costs, rising tuition, government regulations, limited flexibility and the peculiar nature of higher education as a people-intensive industry pose monumental problems and threaten the very survival of colleges and universities.

At this crucial juncture, the American Council of Life Insurance, with its long tradition of encouraging dialogue between business and academia, is inviting college and life insurance leaders to share their insights and concerns about the future of higher education. A conference on "Fiscal Issues in Higher Education" was held at Princeton University on October 26-27, 1978, under the leadership of Edward D. Sullivan, Chairman of the University Advisory Council of the American Council of Life Insurance and Avalon Professor of Humanities at Princeton University.

At this conference, John Sawhill, President, New York University, summarized key historical and contemporary factors influencing fiscal management in higher education today for an audience of 40 college and life insurance presidents. Then his colleagues at several types of institutions outlined the situations at Amherst College, Kalamazoo College, and the University of Michigan. The basic question of the conference was how the experience and expertise of leaders in both sectors can be tapped to create strategies to deal with fiscal issues in the future.

An account of the discussions and a series of suggestions comprise most of this report, but its most urgent element may be the list of unanswered questions awaiting future resolution.* This

*Texts of the keynote addresses are available upon request.

report is meant to serve as a working document for the business and academic leaders who, from a perspective of shared values, common concerns and interdependent futures, will join together in regional task forces to help meet the crises and chart the future of higher education.

HIGHER EDUCATION TODAY

"The 1980's are going to be even more difficult than the seventies," declared New York University President John Sawhill in his opening address to the 40 college and life insurance leaders assembled at Princeton University for what Louis C. Stephens, Jr., of the Pilot Life Insurance Company aptly called a "President-to-President perspective."

"Higher education," Sawhill continued, "will have to manage itself more effectively than ever before. But few administrators in higher education—or in other industries for that matter—know how to manage in periods of decline." It is precisely to acquire some insight into management that these administrators came together for the University Advisory Council conference on "Fiscal Issues in Higher Education."

"In business," declared President Stephens, "when faced with retrenchment, we get the best expertise possible." This conference marked one attempt to seek expertise, to cross boundaries and to exchange views on a common set of problems: How does industry cope with decline? What can higher education learn? To what extent will higher education, one of the first industries to reach a steady state of growth, serve as a model for other sectors of the American economy?

To provide a perspective for the discussions, four college leaders, representing two small liberal arts colleges, a private, urban university and a large state institution, portrayed the situation in higher education today. "American higher education has made important strides in this century. Never have so many been educated so well," declared New York University President Sawhill. "But still, these are fragile institutions." While the profile of each institution is unique, its fragility derives from circumstances agreed upon by all of the college presidents:

1. Inflation

This, concurred most academic leaders, is the key fiscal issue in higher education today. "Inflation," explained President Sawhill, "hits people-intensive undertakings with special force, and quality education involves a lot of people."

2. Salaries

The major costs in education are faculty salaries, and these are losing ground rapidly. Howard R. Bowen, a conference participant and widely recognized authority on the economics of higher education, is co-author of the annual Minter-Bowen Reports on "Financial and Educational Trends in the Independent Sector of Higher Education." According to his most recent

statistics, "academic compensation is slipping behind the general level of wages and salaries each year by perhaps 1.5 to 2.0 percentage points."[1]

Amherst President John Ward gave another inkling of faculty finances when he sketched for the business leaders the economic life of a good faculty member at a reputable institution. Promotion to full professor, after 12 to 15 years in the profession beyond graduate training, corresponds to a salary in the low 20's. The average salary for a full professor is $31,000, and the peak salary for a professor at the end of his career is about $39,000.

3. Diminishing enrollment

The population of 18-year-olds in the United States will peak in 1979 at 4.3 million and then decrease to 3.2 million in 1992, a drop of 25% in 13 years. The implications of changing demographics on higher education are unclear. As President Sawhill observed: "Estimates of enrollment for the year 2000 vary by 225%—as much as energy predictions." What *is* clear is that colleges will be competing for students and relying increasingly on a non-traditional, adult and part-time clientele.

4. The cost of energy

Colleges, with extensive campuses and buildings to maintain, suffer acutely from rising energy costs. At New York University, for instance, the budget for electricity and heat has increased more than 280 percent, over $2.2 million, since 1972.

5. The cost of compliance

The burden of complying with government regulations weighs inordinately on educational institutions which cannot reflect such costs in their prices. According to an American Council on Education study entitled "The Costs of Implementing Federally-Mandated Social Programs at Colleges and Universities," the cost of compliance at six representative institutions increased twenty-fold between 1965 and 1975, from $500,000 to $10 million.[2]

In an address at the National Conference of State Legislators, last year, President John T. Berkhard of Western Michigan University stated emphatically: "The biggest impediment to cost containment and accountability is not the universities and those they serve; it is an enormous government arm—our Federal System."[3]

6. The cost of research

Basic research, traditionally a university activity, is now threatened as government support dwindles and prices rise. It is President Sawhill's sober observation that "if a breakthrough is to occur, it requires state-of-the-art equipment. You cannot cure

today's ills with laboratory equipment built for yesterday's problems."

In the light of all these difficulties, one might wonder how so many colleges and universities have managed to stay in existence. The dismal reply of Howard R. Bowen is that over the last few years colleges have survived by drawing on reserves, spending rather than investing gifts, failing to raise salaries and deferring maintenance—all of which spell "a slow and seemingly inexorable using up of capital."[4]

From 1970 to 1978, recent figures show nearly three times as many closings, mergers, and shifts to public control as openings of new, private higher education institutions.[5]

Before any steps can be taken to arrest this process, the basic question of the survival of higher education must be addressed

SHOULD HIGHER EDUCATION SURVIVE?

Everyone knows about the fellow who climbed out of his car, scratched his head and asked: "Now that we've finally found a parking place, does anyone remember why we're here?" One of the characteristics of this conference was a questioning of higher education itself. Three of the most compelling inquiries addressed by the business community were these:

1. Why support the liberal arts?

To this question, articulated by President Colin C. Hampton of the Union Mutual Life Insurance Company, John Sawhill offered one answer: "If we don't, the next generation will not be equipped to deal with the problems they will have to deal with." If they have only narrowly-defined technical or vocational skills, they will not be able to cope with energy trade-off and other complex issues. "We need people," he continued, "with a grounding in history to see America in perspective, people who can make ethical decisions, people with well-developed analytical and writing skills." Higher education involves exposure to myriad perspectives, options and precedents. Citizens who have seen and reflected on multiple alternatives have a better chance of thinking differently and acting more creatively. As Amherst College President Ward put it: "Education is not a product, it is a process which leads to the quality of mind and imagination such that we say: 'he or she is a civilized person.'"

The humanities and the arts, explained Hoke Smith, Vice President of Academic Affairs at Drake University, don't have an immediate payoff, so people don't want to support them . . . "and that's where we need the support." For, as President Sawhill concluded: "It's there that we are training the future leaders."

The most forthright response to the question of the survival of higher education was given by Blake T. Newton, President of the American Council of Life Insurance, at its annual meeting a few weeks after the conference: "No single constituency is as important to our business as the academic community."

2. Why support basic research?

Conference moderator Edward D. Sullivan of Princeton offered one reply to this question: "In basic research, as in the liberal arts, the activity itself is worthwhile, independent of the foreseeable advantages and payoff. Both represent the human impulse toward learning—finding things out—even if we don't know where they will lead."

If exploration is profoundly anchored in the human temperament, it is also inscribed among the national imperatives, for, as President Sawhill declared: "It is basic research which lays the groundwork for the nation's applied research gains."

Although the distinction between basic and applied research is not always clear, basic research, according to Howard Bowen, is "characterized by interest in knowledge for its own sake and animated by a contemplative and philosophical spirit rather than by preoccupation with immediate results. These qualities are more at home in the university than in the corporation or governmental bureau."[6]

Experience shows that basic research in the sciences, while undertaken for its own sake, often has practical consequences. Penicillin, streptomycin, polio vaccine, the electron microscope, the videotape recorder, solid state electronics, hybrid seed corn, the oral contraceptive pill, the computer and nuclear energy: Bowen cites all these developments as owing some part of their origin to research performed in university laboratories. And he concludes: "The academic contribution to these products alone probably added enough to national productivity or welfare to defray all the costs of higher education for years."[7]

According to government statistics, more than half of the basic research in the United States (and probably the most fundamental) is performed by colleges and universities, while private industry and the Federal government account for about 16% each.[8] To decrease funding and limit research is not only to impoverish knowledge but also to jeopardize the future of the nation's science and technology.

3. Why maintain both private and public institutions?

This was the question of Robert A. Beck, President of The Prudential Life Insurance Company. One answer is financial. Private institutions, explained President Sawhill, obliged to "balance the budget or go bankrupt," strive to be efficient, and often educate more economically than public ones. Yet all of the academic leaders agreed that the principal reason for a dual system is not economy. Howard R. Bowen, having long reflected on the issue, has affirmed:

> "Independent higher education is an important—even indispensable—part of the American higher education system. It adds diversity, it offers competition to an otherwise all-encompassing public system, it is deeply committed to liberal learning, it is concerned for human scale and individual personality, it sets standards, it provides educational leadership and it saves money for taxpayers. Not every private college or uni-

versity achieves all of these results, but enough institutions do achieve some of them to make survival of a strong independent sector a major goal in the broad public interest."[9]

For John Sawhill, one of the major justifications of a dual public-private educational system is the inherent value of competition: "The reason the University of Michigan is so good is because it's competing with the Ivy League. The University of California is so good because of its proximity to Stanford."

To all of these cogent arguments, Amherst President Ward added his personal credo: "I am opposed to agglomerations of power in a society. I favor pluralism of institutions for the health of society."

Clearly, all three questions surpass the scope of a two-day conference or the capacity of any one group to propose definitive answers. But the preliminary and tentative replies were greeted with openness and genuine concern. As President Louis C. Stephens of Pilot Life declared: "The challenge is to package for others the message we're getting today." If the conference indeed had a "message," it was that business and academia, despite their differences, demonstrate surprising similarities, share some of the same problems and evolve toward a common future.

THE DIFFERENCES BETWEEN BUSINESS AND ACADEMIA

1. Self-definition

The most immediately perceived difference between a corporation and a university is one of defining its identity. While there is little doubt about the purpose of a particular company, there are, as President Rainsford of Kalamazoo College pointed out, considerably diverse views of what a college is, depending on whether you ask parents, students, administrators, faculty or trustees. "There is general agreement on teaching and scholarship, but wide disagreement on the role of the university as a provider of services, an agent of social change, a social critic, etc."

2. The Product

Business and academia differ fundamentally in the nature of their outputs. Where industry, for the most part, transforms resources into objects, education, in Howard R. Bowen's terms, transforms resources into desired qualities in human beings. "Learning, the chief product of higher education, consists primarily of changes in people, changes in their knowledge, their characteristics and their behavior."[10] Such change is difficult to chart and virtually impossible to measure in economic terms. While Bowen insists that higher education has a clear responsibility to operate efficiently and to report its costs and results to the American people, he stresses that accountability in academia cannot be strictly financial. It is necessarily judgmental.

3. Profit

A third major distinction between business and academia lies in the domain of profit. Not only is education a non-profit activity, but, as President Rainsford explained: "higher education is, for all intents and purposes, the single major area of American economic activity where price bears no relationship to cost. Throughout higher education, unlike other segments of American industry, as a matter of public policy, the price charged to the customer does not equal the cost." Today's dilemmas lie in this margin between the real costs of education and the price that can morally and realistically be levied.

4. Productivity

When Dennis O'Brien, President of Bucknell University, asked: "Is there any way to increase the productivity of universities?" he was evoking a crucial issue. Of course, as any college leader will testify, considerable effort is directed toward increasing pro-

ductivity through personnel cutbacks, building and energy savings, winter closings, summer semesters, vocational courses and adult programs. But, despite all these measures, productivity increases in academia are limited by the very nature of the educational process. President Sawhill summed it up this way: "The basic student-teacher relationship is necessary to impart knowledge. In a people-intensive industry, there is a point beyond which you cannot go." One of the unique characteristics of higher education, remarked University of Michigan's Vice President Harold Shapiro, is that "salaries rise but not productivity as a professor rises through the system."

5. Assets

Like its product, a college's assets are also largely intangible. When Howard R. Bowen enumerates the true assets of a college, high on his list are factors like the loyalty and generosity of its alumni, faculty and administrators, its ability to attract students, its inherent quality and public recognition, its capacity to adjust to change. "Without these intangibles, an institution would be derelict regardless of its financial data and despite the various ratios that may be derived from them."[11]

6. Structure

When Pilot Life Insurance Company President Louis C. Stephens asked "Who runs the college?" he was pointing to another crucial difference between business and academic organizations. In contrast to the vertical hierarchy of corporations stands the horizontal, collegial structure of a university, where responsibility is shared by faculty members and most decisions are made in committee. Such an arrangement can make governance difficult. It was only half in jest that one academic participant quipped: "The faculty tends to call on the trustees and the administration to demonstrate leadership and vision by supporting its programs and activities."

Another structural difference between business and academia is the fact that 56% of all professors are currently tenured. At first glance, tenure appears to the business community as the greatest enigma of academia. Discussions at this conference revealed, however, that corporations, pondering the fate of unproductive, middle-aged workers, face similar constraints on their flexibility. In both sectors, freedom of hiring and firing is tempered by personnel policies reflecting human considerations.

In the light of the distinct differences between business and academia, what do they share, and what can be hoped from their collaboration?

SIMILARITIES BETWEEN BUSINESS AND ACADEMIA

1. Management

Today's college presidents, as leaders of a $45-billion industry, are obliged to perform functions parallel to those of corporate heads. Fiscal management, allocation of resources, internal governance, program development, compliance activities, staff and community needs, government relations—all come under their purview.

In an article entitled "The President as Manager," Byron N. McClenney, a college president in Texas, enumerated the concerns he and his counterparts share: accountability, steady state conditions, retrenchment, consumerism, competition, loss of autonomy, government regulations, collective bargaining, attacks on traditional accreditation, court decisions, energy conservation, affirmative action. "The response to these realities has been to become 'management conscious' and to seek ways to cope with an uncertain future."[12] Now, more than ever, academic leaders need sophisticated managerial skills to face and resolve complex issues.

2. Government relations

If some cynics insist that higher education has become a federally-regulated industry, they are not totally mistaken. As Robert Atwell, Vice President of the American Council on Education, reminded us, one half of the support of higher education comes from the government and "this implies major compromises and the heavy Federal regulatory burden." At this conference, leaders of both sectors shared their concern at increasing government intervention in business and in academia, because of the compromises and because of the cost.

President Walter Leonard of Fisk University summed up what academia fears in government support:

(a) Fickleness of funding: grants which require capital investments in people and buildings then become fixed situations requiring continuity and overhead;
(b) The administrative costs of doing business with the Federal government;
(c) The internal psychology that prevails when one is dependent on politicians.

Kalamazoo College President Rainsford integrated a fourth concern when he observed that "government makes its decisions on political rather than educational grounds." Decisions are often

motivated less by education per se than by using educational support for other, sociopolitical ends. And this may, in fact, be inevitable, for, in President Sawhill's words, "The political arena . . . by its nature, is more interested in short-term expedients than in long-term solutions."

Kelley Waller, President of SAFECO Life Insurance Company, voiced the conviction of many when he declared: "Higher education should resist the temptation to turn to the Federal government." And yet, this belief, shared in both sectors, raises the most urgent question of all, articulated by Amherst President Ward: "To whom may we legitimately turn for support, and on what terms?"

Much of the attention of conference participants focused on this issue, on how colleges can help themselves and on where they can look for guidance and support..

WHAT COLLEGES CAN DO TO MEET THE FUTURE

1. Define a specific mission

This is the first advice of University of Michigan Vice President Shapiro. "In the United States, universities play more roles than in any other country. The University of Michigan has tried to play them all! This is no longer possible. We must, therefore, specialize." Each institution must determine which issues it can most authoritatively address and then concentrate on those. It must focus on the specific areas where it can make a notable contribution, and let others do likewise. "We are going to require a greater diversity of kinds of educational institutions."

Some activities may even have to be moved out of higher education. It is difficult for any but a few universities to keep abreast of scientific progress, for example, or to prepare engineers for work on sophisticated equipment. Perhaps, suggests Shapiro, some functions might better be performed in industry—at the Bell, Exxon, or I.B.M. laboratories.

Clifford H. Whitcomb, Senior Vice President and Comptroller of The Prudential Life Insurance Company heartily concurs. Colleges should not try to offer the full breadth of services and competences, but to concentrate on what each does best. "More colleges should follow the lead of the University of Michigan: reexamination of purpose, strengths and weaknesses."

2. Demonstrate fiscal and educational leadership through continued efforts to attain financial stability

At the University of Michigan the base budget of every department is cut by 1% a year. Savings are pooled in a special fund for high priority expenditures. Obviously, cutbacks are never welcome. Michigan's example calls to mind the survey undertaken by the British poll organization, Mass Observation: "Given a reduction in income, where would you make your cuts?" to which a country parson retorted: "Across my throat!" Nevertheless, through retrenchments and other measures, declared Vice President Shapiro, "we have demonstrated a capacity to increase productivity. And therefore we can request others to join us in partnership."

3. Think strategically

This is the advice of Union Mutual President Colin C. Hampton. Colleges must define their mission and goals but also their strategy to reach goals, with clear contingency plans.

4. Make long range plans

The danger in any organization is that day-to-day operations will absorb everyone's attention. Louis C. Stephens, President of the Pilot Life Insurance Company and trustee of three different colleges, spoke from experience: "I don't see any of my three colleges planning far enough ahead." Specifically, he feels that the trustees should be involved in alternate strategies and long-range planning, and that two or three-day sessions should be devoted to shaping priorities.

5. Study the model of other industries which have experienced declines

Robert V. Van Fossan, President of the Mutual Benefit Life Insurance Company, cites the example of the utilities in New England which share many of academia's problems: a 1% or 2% rate of growth, the burden of fuel prices, an obligation to provide power and develop new sources of energy. This industry might be a good model for higher education as it seeks strategies to cope with decline.

6. Develop strategies to counter the demographic trend

By 1992, the number of 18-year-olds will have decreased by 25%. One way to maintain enrollments is to attract a larger percentage of the college-age population. According to Brooklyn College President John Kneller, 50% of New York City students drop out of high school. Decreasing the national attrition rates would be one way of increasing the potential college population. But these and other plans presuppose a vast improvement in the quality of secondary school education. As President Walter Leonard of Fisk University warns: "To get more and better-prepared 18-year-olds ten years from now, we must do strategic planning now."

7. Exercise leadership on the secondary and elementary school levels

G. Frank Purvis, Jr., Chairman of the Pan American Life Insurance Company, is not alone in seeing as vital and urgent the need for higher education to assume an active role in coordinating educational institutions. Dr. K. Edwin Graham, Director of the American Council of Life Insurance's Education and Community Services also believes that "higher education has not viewed education as a total process. It has only seen itself as a distinct segment."

"What can we do to upgrade education in the high schools?" asked SAFECO President Kelley Waller. Possibilities are numer-

cus: high school students can be brought into colleges for classes and workshops; secondary school and college curricula can be dovetailed; institutes set up in the secondary schools, summer schools offered on campus, programs established in the ghettos, teacher education improved. All of these are expensive, but in purely economic terms, Frank Purvis predicts that unless secondary education improves, "support of the high school is liable to drain off the dollars also needed for higher education."

8. Reorient to different market, both by age and by field

This is not a new idea. According to a report by the American Federation of Teachers, almost one-half of all college students are now over 21.[13] Higher education is playing an increasingly important role for adults, whether they seek additional skills, new careers, intellectual enrichment or leisure and recreational opportunities. As a life-long activity, education will serve a larger segment of the adult population and will have a growing impact on American society.

9. Exert pressure on the government to modify the tax laws

Colleges and universities are currently exempted from property and income taxes, but, according to President George Rainsford, "there is a growing sense in higher education that it may be exempted from the wrong taxes." As a labor-intensive industry, employer taxes such as Social Security, unemployment and workman's compensation are staggering. Unlike businesses, colleges can neither deduct them as business expenses nor pass on the costs to customers. Senator Danforth of Missouri is one legislator aware of the problem and actively seeking to amend Social Security legislation to provide a 10% discount to non-profit institutions.

10. Establish self-regulatory mechanisms within higher education to determine which institutions should survive and which should be phased out

De-accreditation should be undertaken from within academia: this is the conviction of Robert Atwell, Vice President of the American Council of Education. "If the industry doesn't, the government will."

11. Consider institutional mergers and consortia

Many private colleges have merged rather than close in the past eight years. The Five Colleges Alliance in the Connecticut Valley and the Nashville University Center in Tennessee provide models for fruitful collaboration among institutions, eliminating

duplication and offering opportunities beyond the range of a single college.

12. Improve communication with the public and with business

For Colin C. Hampton, President of the Union Mutual Life Insurance Company, the real issue is that, across business and academic frontiers, "we don't speak the same language." Academia has often operated like the automobile showroom whose sign reads: "Quiet, timid salesman now on duty." Colleges must now explain their needs and restore public confidence in the value of their endeavor.

WHAT BUSINESS CAN DO TO HELP

The business community, declared Fisk University President Leonard, is "the closest thing we have to royalty in this country. It has resources and the freedom to use them:" resources so abundant that, according to Amherst President Ward, 10% of the corporate profits before taxes would cover the whole bill of higher education in the United States. But if industry has the freedom to make choices and allocate funds, it is also constantly solicited. As Clifford H. Whitcomb of Prudential reminds us, "there is fierce competition for the corporate dollar," and it is thus urgent to define "a mutually agreed benchmark, a formula of funds available for higher education and how they should be allocated."

On a small scale, Harry P. Seward, President of Bankers Life of Nebraska, suggested some immediate steps that companies might take, such as improving corporate tuition programs for employees, increasing their matching gift programs to two or three times the alumni donation and encouraging voluntary donations among employees.

Business organizations might inaugurate in-house enrichment programs for employees, with local college professors offering courses on a variety of subjects, bringing Aspen, in effect, within the corporate walls. This plan is being proposed for a pilot project in New Jersey. If successful, it could stimulate employees, foster communication between the two sectors and help, in a modest way, to relieve the crisis of faculty salaries.

Businesses could encourage executive participation in the highly successful American Council of Life Insurance "Business Executive-in-Residence Program," where senior officers spend two to four weeks on campus, leading seminars and discussions and taking part in campus life.

Companies could set up a reciprocal program, a sort of Academic-in-Residence Program, where senior university administrators would spend two to four weeks in business, sitting in on task force and committee sessions, learning first-hand how decisions are made in the business community and how long-term planning is carried out.

Business can take some steps unilaterally, but, clearly, the farthest-reaching roles of industry—planning, counsel and support—will be enacted in collaboration with academia. And, as Mutual Benefit's President Van Fossan optimistically concludes, "We, collectively, in the colleges and in the private sector ought to be able to order priorities globally and see who should support what."

WHAT BUSINESS AND ACADEMIA CAN DO TOGETHER

A. Richard Turner, President of Grinnell College, articulated the kind of long-term joint effort hoped for as a result of this conference. He envisaged "an advocacy alliance of people in business and academia to see if public policy can be influenced fruitfully. Corporate giving is one thing, and corporate clout in terms of executives and boards is quite another. They are not mutually exclusive, and on the contrary could be related to one another more effectively than they are now."

Such an advocacy alliance could, for instance, demand that Federal regulations include an appropriate budget to cover the cost of carrying out the programs, lest institutions be crushed by the cost of compliance. On a more modest scale, an alliance could lobby to modify tax laws so that charitable contributions be placed "above the line," in order for donors to deduct them from their income tax even if the standard deduction is taken.

THE UNANSWERED QUESTIONS

During their two days together, college and business presidents explored the situation in higher education today and identified some specific issues as well as some strategies for meeting the future. They touched on a series of unanswered questions:

- What are the costs of higher education:
  to students and families?
  to colleges and universities?
  to the government?
  to society?
- How are these costs being met?
- How does a college or university budget operate and how does it differ from a corporate budget?
- What will happen to education and to society if costs continue to escalate?
- What stake does industry have in the survival of American colleges and universities?
- How do institutions of higher learning serve and collaborate with industry?
- Should the survival of individual institutions depend on the traditional market laws of supply and demand?
- What role should the government play in financing higher education?
- What is the role of private philanthropy?
- What techniques has business developed which could help the colleges and universities cope with their current problems?
- How has business dealt with recession, no-growth situations, inflation?
- How are universities to cope with government regulations?
- **The basic question:** How can business and academia work together to monitor and interpret trends? How can the expertise and experience of business be directed toward the survival of higher education?

CONCLUSION

The answers to these questions will inevitably help shape American society of the future. Higher education—like the nation—faces difficult issues and new challenges as both enter a steady state after a long tradition of growth. The reflection and imagination of our best minds will be needed in a collaborative effort to meet the future. The task is monumental but, to echo the optimistic affirmation of Union Mutual's President Colin C. Hampton: "If we can get the issues out on the table, the history of this country has shown that we can find solutions."

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1. W. John Minter and Howard R. Bowen, *Independent Higher Education: Fourth Annual Report on Financial and Educational Trends in the Independent Sector of American Higher Education* (Washington, D.C.: National Association of Independent Colleges and Universities, July 1978), p. 111.

2. Carol Van Alstyne and Sharon L. Coldren, *The Costs of Implementing Federally Mandated Social Programs at Colleges and Universities* (Washington, D.C.: American Council on Education, June 1976), p. 26.

3. John T. Berkhard, "Higher Education: Cost Containment and Accountability," an address delivered at the National Conference of State Legislators, Detroit, Michigan, August 4, 1977.

4. W. John Minter and Howard R. Bowen, *op. cit.*, p. 111.

5. "Private-College Openings, Closings, and Mergers, 1970-78," *Chronicle of Higher Education* (December 18, 1978), p. 7.

6. W. John Minter and Howard R. Bowen, *op. cit.*, p. 297.

7. *Ibid.*, p. 297.

8. Howard R. Bowen, *Investment in Learning: The Individual and Social Value of American Higher Education* (San Francisco: Jossey-Bass, 1978), p. 299.

9. W. John Minter and Howard R. Bowen, *op. cit.*, p. 1.

10. Howard R. Bowen, *Investment in Learning*, p. 12.

11. W. John Minter and Howard R. Bowen, *op. cit.*, p. 85.

12. Byron N. McClenney, "The President as Manager," *Community and Junior College Journal* (April 1978), p. 26.

13. Carol Van Alstyne and Sharon L. Coldren, *Financing Higher Education: Basic Facts Underlying Current Issues* (Washington, D.C.: American Federation of Teachers, January 1977), p. 11.

Program of the Meeting
American Council of Life Insurance
University Advisory Council
FISCAL ISSUES IN HIGHER EDUCATION

Edward D. Sullivan, Conference Chairman
Princeton University
October 26-27, 1978

Thursday, October 26, 1978

5:30 Reception and Registration. Nassau Inn.

6:30 Dinner.

Speaker: John C. Sawhill, President of New York University: "Financing Higher Education: Historical Perspectives and Current Trends."

Followed by discussion.

Friday, October 27, 1978

9:00-10:30 Woodrow Wilson School, Princeton University.

1. Presentations by college executives of the principal fiscal issues on their campuses:
   John W. Ward, Amherst College
   George N. Rainsford, Kalamazoo College
   Harold Shapiro, University of Michigan
2. Comments by life insurance executives:
   Louis C. Stephens, Pilot Life Insurance Co., Greensboro, North Carolina
   Robert V. Van Fossan, Mutual Benefit Life Insurance Co., Newark, New Jersey
3. Discussion.

10:30-11:00 Coffee Break.

11:00-12:45 Small group discussion workshops:

Group 1. Discussion Leader: Howard Bowen, Claremont Graduate School
Rapporteur: Harry P. Seward, Bankers Life, Lincoln, Nebraska

Group 2. Discussion Leader: Martha Peterson, Beloit College
Rapporteur: Clifford H. Whitcomb, The Prudential Insurance Company, Newark, New Jersey

Group 3. Discussion Leader: Richard Turner, Grinnell College
Rapporteur: Colin Hampton, Union Mutual Life, Portland, Maine

Group 4. Discussion Leader: John Kneller, Brooklyn College
Rapporteur: G. Frank Purvis, Pan-American Life, New Orleans, Louisiana

1:00 Luncheon Discussion.
Summaries by the rapporteurs.

3:00 Adjournment.

List of Conference Participants
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October 26-27, 1978
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